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West Ouachita Sewerage District No. 5
(A Component Unit of the Ouachita Parish Police Jury)

Financial Statements

For the Years Ended August 31, 2004 and 2003

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 5/18/05

WEST OUACHITA SEWERAGE DISTRICT NO. 5
(A COMPONENT UNIT OF THE OUACHITA PARISH POLICE JURY)
FINANCIAL STATEMENTS
AUGUST 31, 2004 and 2003

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INDEPENDENT AUDITORS' REPORT

**Board of Commissioners
West Ouachita Sewerage District No. 5
West Monroe, Louisiana**

We have audited the accompanying basic financial statements of **West Ouachita Sewerage District No. 5** (the District), a component unit of the Ouachita Parish Police Jury, as of and for the years ended August 31, 2004 and 2003, as listed in the accompanying Table of Contents. These basic financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America, the standards for financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and the *Louisiana Governmental Audit Guide*, issued by the Louisiana Society of Certified Public Accountants and the Louisiana Legislative Auditor. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the District as of August 31, 2004 and 2003, and the changes in net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 4 through 6 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

**Board of Commissioners
West Ouachita Sewerage District No. 5**

In accordance with *Government Auditing Standards*, we have also issued our report dated January 28, 2005 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying financial information listed as Supplemental Information in the Table of Contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of the District. Except for the Schedule of Insurance Coverage, this information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole. The Schedule of Insurance Coverage has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion or any other form of assurance on it.



(A Professional Accounting Corporation)

January 28, 2005

REQUIRED SUPPLEMENTAL INFORMATION

WEST OUACHITA SEWERAGE DISTRICT NO. 5
(A Component Unit of the Ouachita Parish Police Jury)
Management's Discussion and Analysis
For the Years Ended August 31, 2004 and 2003

Our discussion and analysis of the West Ouachita Sewerage District #5 (A Component Unit of the Ouachita Parish Police Jury) provides an overview of the District's activities for the years ended August 31, 2004 and 2003. Please read it in conjunction with the District's financial statements.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statements of Net Assets and the Statements of Revenues, Expenses, and Changes in Net Assets provide information about the activities of the District as a whole. The Statements of Cash Flows provide detail changes in cash during the years presented.

Reporting the District as a Whole

The Statements of Net Assets and the Statements of Revenues, Expenses, and Changes in Net Assets

These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's net assets and changes in them. The District's net assets - the difference between assets and liabilities - measure the District's financial position. The increases or decreases in the District's net assets are an indicator of whether its financial position is improving or deteriorating.

THE DISTRICT AS A WHOLE

For the years ended August 31, 2004 and 2003, net assets changed as follows:

	<u>FYE 2004</u>	<u>FYE 2003</u>
Beginning net assets	\$9,329,499	\$ 9,054,379
Increase in net assets	<u>62,810</u>	<u>275,120</u>
Ending net assets	<u><u>\$9,392,309</u></u>	<u><u>\$ 9,329,499</u></u>

THE DISTRICT'S FUNDS

The following schedule presents a summary of revenues and expenses for the fiscal year ended August 31, 2004, and 2003, respectively.

	FYE 2004	FYE 2003
Revenues:	Amount	Amount
Sewerage Fees	\$ 1,693,217	\$ 1,683,814
Inspection Fees	25,200	13,100
New Connection Fees	12,250	13,650
Miscellaneous	1,137	1,070
Total Revenues	<u>\$ 1,731,804</u>	<u>\$ 1,711,634</u>

Revenues for the District remained steady for the FYE 2004. There was a slight increase in sewerage fees, mainly due to new construction of homes in the area.

	FYE 2004	FYE 2003
Expenses:	Amount	Amount
District	<u>\$1,769,845</u>	<u>\$ 1,536,895</u>

In Fiscal 2004, the District's expenses increased moderately. The increase in the District's expenses in 2004 was due to increases in collection expense, salaries, depreciation, and maintenance and repairs. In fiscal 2003, the District's expenses increased moderately. The increase in the District's expenses in 2003 was due to increases in collection expense, professional fees, salaries, and utilities.

BUDGETARY HIGHLIGHTS

The District's total revenues in fiscal year 2004 were more than the final budget by \$27,669. The District's total revenues in fiscal year 2003 were less than the final budget by \$8,267. Actual expenses for the District in fiscal year 2004 and 2003 were more than the final budget by \$113,014 and \$37,952, respectively. These variances reflect the increases in salaries, depreciation, and maintenance and repairs, and utilities.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At August 31, 2004 and 2003, the District had \$16,336,728 and \$15,852,825 invested in capital assets including buildings and improvements, furniture and fixtures, equipment, and vehicles (See table below).

	<u>FYE 2004</u>	<u>FYE 2003</u>
Buildings and improvemen	\$ 186,562	\$ 186,562
Furniture and fixtures	9,798	9,798
Equipment	15,556,718	15,196,597
Vehicles	151,243	151,243
Construction in Progress	222,500	98,718
Land	209,907	209,907
Total	\$ 16,336,728	\$ 15,852,825

This year's major additions included lines, mains, and manholes, and additional work performed on the treatment plants. Also, there were new pumps added throughout the fiscal year.

Debt

At August 31, 2004, the District had a total of \$2,101,268 in bonds payable that are comprised of revenue and general obligation bonds. The revenue bonds are secured and payable solely from the income to be derived from the operation of the system. The general obligation bonds are secured by a special tax in excess of all other taxes on all of the property subject to taxation within the territorial limits of the District. The bonds payable decreased about six percent as shown in the following table.

	<u>FYE 2004</u>	<u>FYE 2003</u>
Bonds payable	<u>\$ 2,101,268</u>	<u>\$ 2,230,240</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The District's revenues are derived mainly from the sewerage fees received from its customers. The District does not anticipate any major increases or decreases in the fees to its customers. The sewerage fees may increase slightly due to new home construction and demand in the area, in which the District operates.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Terry Cox, District Manager of the West Ouachita Sewerage District #5, 327 Wallace Road, West Monroe, Louisiana.

BASIC FINANICAL STATEMENTS

WEST OUACHITA SEWERAGE DISTRICT NO. 5
STATEMENTS OF NET ASSETS

ASSETS	August 31,	
	2004	2003
Current Assets		
Cash and Cash Equivalents	\$ 3,188,311	\$ 3,355,268
Accounts Receivable - Customers	278,113	273,131
Prepaid Insurance	4,569	-
Inventory	3,650	3,650
Deposits	500	500
Total Current Assets	3,475,143	3,632,549
Restricted Assets (Note 3)		
Cash and Cash Equivalents	945,819	910,169
Customer Deposits Escrow	91,420	89,770
Total Restricted Assets	1,037,239	999,939
Property and Equipment		
Buildings and Improvements	186,562	186,562
Furniture and Fixtures	9,798	9,798
Equipment	132,687	130,497
Vehicles	151,243	151,243
Lines, Mains and Manholes	11,425,611	11,361,771
Lift Station - Pumps	1,314,536	1,133,011
Lift Station - Structures	1,460,409	1,460,409
Treatment Plant	1,223,475	1,110,909
Total	15,904,321	15,544,200
Less: Accumulated Depreciation	(9,109,064)	(8,679,386)
Net Depreciable Assets	6,795,257	6,864,814
Construction in Progress	222,500	98,718
Land	209,907	209,907
Total Property and Equipment	7,227,664	7,173,439
TOTAL ASSETS	\$ 11,740,046	\$ 11,805,927

The accompanying notes are an integral part of these financial statements.

	<u>August 31,</u>	
	<u>2004</u>	<u>2003</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Payable From Current Assets:		
Accounts Payable	\$ 82,790	\$ 88,731
Payroll Taxes Payable	10,061	9,681
Total	<u>92,851</u>	<u>98,412</u>
Payable From Restricted Assets:		
Bonds Payable (Note 5)	140,671	128,972
Accrued Interest Payable	57,543	58,006
Customer Deposits	91,420	89,770
Total	<u>289,634</u>	<u>276,748</u>
Total Current Liabilities	<u>382,485</u>	<u>375,160</u>
Long-Term Liabilities		
Bonds Payable (Note 5)	<u>1,960,597</u>	<u>2,101,268</u>
Total Liabilities	<u>2,343,082</u>	<u>2,476,428</u>
Net Assets		
Investment in Capital Assets, Net of Related Debt	5,126,396	4,943,199
Restricted Net Assets:		
Debt Service	491,525	467,301
Sewer Replacement and Extension	396,751	384,863
Unrestricted Net Assets	<u>3,382,292</u>	<u>3,534,136</u>
Total Net Assets	<u>9,396,964</u>	<u>9,329,499</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 11,740,046</u></u>	<u><u>\$ 11,805,927</u></u>

WEST OUACHITA SEWERAGE DISTRICT NO. 5
STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED AUGUST 31, 2004 AND 2003

	<u>2004</u>	<u>2003</u>
Operating Income		
Sewerage Fees	\$ 1,693,217	\$ 1,683,814
Inspection Fees	25,200	13,100
New Connection Fees	12,250	13,650
Miscellaneous	1,137	1,070
Total Operating Revenues	<u>1,731,804</u>	<u>1,711,634</u>
Operating Expenses		
Advertising	1,032	743
Bad Debt Expense	24,655	28,292
Collection Expense	167,544	102,464
Commissioners' Fees	2,055	1,590
Depreciation	429,677	420,919
Dues and Subscriptions	403	243
Gas and Oil	13,356	12,557
Insurance	45,636	43,193
Maintenance and Repairs	382,681	202,741
Miscellaneous Expense	4,719	6,251
New Connection Tap	3,600	2,000
Office Expense	5,681	5,653
Payroll Taxes	8,574	7,408
Pension and Retirement Expense	24,782	15,926
Postage	1,740	450
Professional Fees	48,672	112,921
Salaries and Wages	245,705	209,304
Taxes and Licenses	-	700
Telephone	4,674	4,325
Travel	1,369	424
Treatment Plant Operations	221,409	224,427
Utilities	131,881	134,364
Total Operating Expenses	<u>1,769,845</u>	<u>1,536,895</u>
Operating Income (Loss)	(38,041)	174,739

(Continued)

WEST OUACHITA SEWERAGE DISTRICT NO. 5
STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS (CONCLUDED)
FOR THE YEARS ENDED AUGUST 31, 2004 AND 2003

	<u>2004</u>	<u>2003</u>
Non-Operating Income (Expense)		
Property Tax and Interest (Net of Pension of \$2,859 and \$2,504 for 2004 and 2003 respectively)	94,200	81,194
Interest Earned	38,712	50,300
Franchise Fees	16,865	10,595
Interest Expense	(108,111)	(114,768)
Total Nonoperating Income	<u>41,666</u>	<u>27,321</u>
Net Income (Loss) Before Contributions	3,625	202,060
Capital Contributions - Developers	<u>63,840</u>	<u>73,060</u>
Changes in Net Assets	67,465	275,120
Net Assets at Beginning of Year	<u>9,329,499</u>	<u>9,054,379</u>
NET ASSETS AT END OF YEAR	\$ <u><u>9,396,964</u></u>	\$ <u><u>9,329,499</u></u>

The accompanying notes are an integral part of these financial statements.

WEST OUACHITA SEWERAGE DISTRICT NO. 5
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED AUGUST 31, 2004 AND 2003

	<u>2004</u>	<u>2003</u>
Cash Flows From Operating Activities		
Receipts From Customers	\$ 1,701,030	\$ 1,719,181
Other Revenue	1,137	1,070
Payment to Suppliers	(1,046,961)	(1,128,346)
Payment for Employee Services	<u>(278,681)</u>	<u>(232,232)</u>
Net Cash Provided by Operating Activities	376,525	359,673
Cash Flows From Noncapital Financing Activities		
Property Tax Millage	94,200	81,194
Franchise Fee	<u>16,865</u>	<u>10,595</u>
Net Cash Provided by Noncapital Financing Activities	111,065	91,789
Cash Flows From Capital and Related Financing Activities		
Principal Paid on Bonds	(128,972)	(127,353)
Interest Paid on Bonds	<u>(108,574)</u>	<u>(117,880)</u>
Net Cash Used by Capital and Related Financing Activities	(237,546)	(245,233)
Cash Flows From Investing Activities		
Purchase of Capital Assets, Net	(420,063)	(135,992)
Interest Received	<u>38,712</u>	<u>50,300</u>
Net Cash Used by Investing Activities	(381,351)	(85,692)
Net Increase (Decrease) in Cash and Cash Equivalents	(131,307)	120,537
Cash and Cash Equivalents at Beginning of Year	<u>4,265,437</u>	<u>4,144,900</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 4,134,130</u>	<u>\$ 4,265,437</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating Income (Loss)	(38,041)	174,739
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	429,678	420,919
Bad Debts	24,655	28,292
Accounts Receivable	(29,637)	(19,675)
Prepaid Expense	(4,569)	9,078
Inventory	-	13,700
Accounts Payable	(5,941)	(267,786)
Payroll Taxes	<u>380</u>	<u>406</u>
Total Adjustments	414,566	184,934
Net Cash Provided by Operating Activities	<u>\$ 376,525</u>	<u>\$ 359,673</u>

(Continued)

WEST OUACHITA SEWERAGE DISTRICT NO. 5
STATEMENTS OF CASH FLOWS (CONCLUDED)
FOR THE YEARS ENDED AUGUST 31, 2004 AND 2003

	<u>2004</u>	<u>2003</u>
Supplemental Disclosure of Noncash Capital Investing Activities		
Contribution of Sewerage Collection System	\$ <u>63,840</u>	\$ <u>73,060</u>
Cash and Cash Equivalents on the Balance Sheet as:		
Current Assets:		
Cash and Cash Equivalents	\$ 3,188,311	\$ 3,355,268
Restricted Assets:		
Cash and Cash Equivalents	<u>945,819</u>	<u>910,169</u>
TOTAL CASH AND CASH EQUIVALENTS	\$ <u>4,134,130</u>	\$ <u>4,265,437</u>

The accompanying notes are an integral part of these financial statements.

WEST OUACHITA SEWERAGE DISTRICT NO. 5
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2004 AND 2003

Note 1 - Summary of Significant Accounting Policies

A. History

West Ouachita Sewerage District No. 5 (the District), was created on January 24, 1974, by the Ouachita Parish Police Jury through adoption of Ordinance No. 7386, and therefore is a component of the Ouachita Parish Police Jury (the Police Jury) and is an integral part of the Police Jury reporting entity. As a governmental entity, the District is exempt from federal and state income taxes. It is governed by a board of commissioners composed of three property taxpayers residing within the District.

The District was constructed with an EPA grant, which financed 75% of the construction and engineering costs. Bonds were sold to provide the funds needed for the local share.

B. Reporting Entity

The Governmental Accounting Standards Board (GASB) is the accepted standard setting authority for generally accepted accounting principles as applied to governmental entities. GASB Statement Number 14 *The Financial Reporting Entity* establishes criteria for determining which component units of government should be considered part of a primary government for financial reporting purposes.

The basic criterion for determining a component unit is accountability. As the Police Jury appoints a voting majority of the board of commissioners of the District, has the ability to impose its will upon the District and the District has financial dependence upon the Police Jury, the District is considered a component unit of the Police Jury, the primary governing body of the parish and the governmental body with oversight responsibility.

The accompanying basic financial statements present information only on the funds maintained by the District and do not present information on the Police Jury, the general government services provided by that primary governmental unit or other component units that comprise the primary government reporting entity.

C. Basis of Accounting

The District has adopted the provisions of the Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. Statement 34 established standards for external reporting for all state and local governmental entities which includes a statement of net assets, a statement of activities and a statement of cash flows. It also requires the classification of net assets into three components - invested in capital

WEST OUACHITA SEWERAGE DISTRICT NO. 5
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2004 AND 2003

assets, net of related debt, restricted and unrestricted. These classifications are defined as follows:

Invested in capital assets, net of related debt – This component of net assets consists of capital assets net of accumulated depreciation and reduced by the outstanding balances on any bonds, mortgages, notes, or other borrowings attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets – This component of net assets consists of those net assets on which constraints have been placed externally by creditors (such as through debt covenants), grantors, contributors, laws or regulations of other governments, or laws through constitutional provisions or enabling legislation.

Unrestricted net assets – This component of net assets consists of net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

The District has elected not to apply Financial Accounting Standards Board Statements and Interpretations issued since November 30, 1989 unless they are adopted by GASB.

The District recognizes income on the accrual basis of accounting, whereby revenues are recognized in the period in which they are earned and expenses are recognized in the period incurred.

The District distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the District’s principal ongoing operations. Their principal operating revenues are charges to customers for service. Customers are billed monthly for services received during the month. They also recognize as operating revenues the fees intended to recover the cost of connecting new customers to the system. Operating expenses include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

1. Residential, commercial, multi-housing and multi-unit services are charged \$15 per month.
 - a. The multi-housing is based on a 100% occupancy factor.
 - b. The multi-unit is based on a physical count each month.
2. Institutional billing is based on monthly water use at \$15 per 7,000 gallons used.

WEST OUACHITA SEWERAGE DISTRICT NO. 5
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2004 AND 2003

3. Industrial billing is based on average monthly water use plus Industrial Cost Recovery factor and surcharge for excessive pollutant concentration.

The District provided services to 8,644 and 8,563 residential customers and 327 and 315 institutional and industrial customers during 2004 and 2003, respectively.

D. Accounts Receivable

Receivables are primarily composed of amounts due from customers located within the district. The direct write-off method for recognizing bad debts is used. Under this method, the receivable is charged to expense when the account is deemed to be uncollectible. The difference between the use of the direct write-off method and the allowance method for accounting for bad debts is not material to the financial statements of the District.

E. Inventory

Inventory consists primarily of used pumps and is valued at estimated recoverable cost as determined by specific identification method.

F. Property and Equipment

Upon completion of new subdivisions, developers donate their system to the District for servicing and maintenance. These systems are recorded at fair market value at the date of contribution.

Property and equipment are recorded at their total cost and depreciated on the straight-line basis over their estimated useful lives. The estimated useful lives are as follows:

Buildings and Improvements	15-40 Years
Lift Station Structure	40 Years
Lift Station Pumps	20 Years
Gravity Lines, Force Mains and Manholes	40 Years
Equipment	3-20 Years
Vehicles	5 Years
Furniture and Fixtures	3-15 Years

Interest on the bonds and interim notes during the construction period through January 29, 1985, and all costs associated with the bond issue, have been added to the cost of the constructed assets and are being depreciated accordingly. Customers are billed a flat rate for new connection taps which covers the cost of the tap to the District; therefore, new connection costs are expensed rather than capitalized.

WEST OUACHITA SEWERAGE DISTRICT NO. 5
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2004 AND 2003

G. Statements of Cash Flows

For purposes of the Statements of Cash Flows, the District considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

H. Compensated Absences

The District's policy for paid vacation, which is non-cumulative, is as follows:

Employment 1 – 3 years	1 week per year
4 – 9 years	2 weeks per year
After 9 years	3 weeks per year

Employees accrue sick leave as follows:

Employment less than 6 months	0 days per year
6 months – 1 year	4 days per year
1 – 3 years	8 days per year
After 3 years	12 days per year

Sick leave may be carried forward from year to year with no limit on the number of hours that may be accrued. An employee will be compensated up to a maximum of 30 days accumulated sick leave only upon normal retirement. The financial statements do not include any accruals for compensated absences because the amount cannot be reasonably estimated.

I. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Note 2 - Cash and Investments

The District's cash and investments consist of petty cash, deposits with financial institutions and certificates of deposit. Collateral is required for demand deposits, certificates of deposit, savings certificates of savings and loan associations and repurchase agreements at 100% of all amounts not covered by Federal deposit insurance. At August 31, 2004 the carrying amount of the District's deposits and investments was \$4,134,130. Of that amount, \$418,929 (bank balances \$435,609) was on deposit with financial

WEST OUACHITA SEWERAGE DISTRICT NO. 5
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2004 AND 2003

institutions. The entire bank balance was insured or collateralized by securities held by the Federal Reserve Bank in the District's name (GASB Category 1). The balance of \$3,715,106 was invested through the Louisiana Asset Management Pool (LAMP). In accordance with GASB Statement No. 31, the District has elected to account for its investments using amortized cost.

Under state law, the District may invest funds in obligations of the United States, in federally insured investments, or in time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana. In addition, local governments in Louisiana are authorized to invest in the LAMP, a non-profit corporation formed by an initiative of the State Treasurer and organized under the laws of the State of Louisiana, which operates a local government investment pool.

In accordance with GASB Codification I50.165, the investment in LAMP at August 31, 2004 and 2003, is not categorized in the three risk categories provided by GASB Codification I50.164 because the investment is in the pool of funds and therefore not evidenced by securities that exist in physical or book entry form. Only local governments having contracted to participate have an investment interest in its pool of assets. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term, high-quality investments. The portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest. Accordingly, investments are restricted to securities issued, guaranteed or backed by the U.S. Treasury, U.S. government, or one of its agencies, enterprises, or instrumentalities, as well as repurchase agreements collateralized by those securities. The dollar weighted average portfolio maturity of LAMP assets is restricted to not more than 90 days, and consists of no securities with a maturity in excess of 397 days. LAMP is designed to be highly liquid to give its participants immediate access to their account balances.

Note 3 - Restricted Assets

Under terms of the revenue bond indentures, the District is required to establish and maintain a bond reserve fund equal to 5% of the principal and interest payment requirements until this fund reaches \$159,984 (the highest annual debt service payable in any future year) which is fully funded. Tax collections for fiscal year 2004 and 2003 in the amounts of \$94,200 and \$81,194, respectively, were received from a special tax assessment in 2004 and 2003 of 2.25 mills. This tax assessment is restricted for the payment of general obligation bond principal and interest. In addition, \$710 a month must be transferred to a sewer replacement and extension fund and one-twelfth of the current year's principal and interest on revenue bonds must be deposited monthly into a bond and interest redemption fund.

WEST OUACHITA SEWERAGE DISTRICT NO. 5
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2004 AND 2003

Restricted assets were composed of the following:

	<u>Total</u>	<u>Cash and Option Accounts</u>	<u>Louisiana Asset Management Program</u>
August 31, 2004:			
Cash and Cash Equivalents			
<i>Bond and Interest</i>			
Redemption Fund	\$ 260,315	\$ 260,315	\$ -
Bond Reserve Fund	288,754	55,211	233,543
Sewer Replacement and Extension Fund	<u>396,750</u>	<u>60,094</u>	<u>336,656</u>
TOTALS	<u><u>\$ 945,819</u></u>	<u><u>\$ 375,620</u></u>	<u><u>\$ 570,199</u></u>
	<u>Total</u>	<u>Cash and Option Accounts</u>	<u>Louisiana Asset Management Program</u>
August 31, 2003:			
Cash and Cash Equivalents			
<i>Bond and Interest</i>			
Redemption Fund	\$ 246,694	\$ 246,694	\$ -
Bond Reserve Fund	278,612	47,387	231,225
Sewer Replacement and Extension Fund	<u>384,863</u>	<u>51,547</u>	<u>333,316</u>
TOTALS	<u><u>\$ 910,169</u></u>	<u><u>\$ 345,628</u></u>	<u><u>\$ 564,541</u></u>

Effective October, 1992, the District began collecting \$20 from each new customer in the District as a refundable deposit. As of August 31, 2004 and 2003, customer deposits totaled \$91,420 and \$89,770, respectively. These deposits were being held by M-N Utilities, the company that bills and collects the sewer user fees for the District.

WEST OUACHITA SEWERAGE DISTRICT NO. 5
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2004 AND 2003

Note 4 - Changes in Capital Assets

The changes in capital assets are as follows:

	Balance 6/30/2003	Additions	Transfers	Balance 6/30/2004
Nondepreciable assets:				
Construction In Process	\$ 98,718	\$ 222,500	\$ (98,718)	\$ 222,500
Land	209,907	-	-	209,907
Total Nondepreciable Assets	308,625	222,500	(98,718)	432,407
Depreciable Assets:				
Buildings and Improvements	186,562	-	-	186,562
Furniture and Fixtures	9,798	-	-	9,798
Equipment	130,497	2,190	-	132,687
Vehicles	151,243	-	-	151,243
Lines, Mains and Manholes	11,361,771	63,840	-	11,425,611
Lift Station Pumps	1,133,011	82,807	98,718	1,314,536
Lift Station Structures	1,460,409	-	-	1,460,409
Treatment Plant	1,110,909	112,566	-	1,223,475
Total Depreciable Assets	15,544,200	261,403	98,718	15,904,321
Less Accumulated Depreciation	(8,679,386)	(429,678)	-	(9,109,064)
Net Capital Assets	\$ 7,173,439	\$ 54,225	\$ -	\$ 7,227,664

Depreciation of \$429,678 and \$420,919 was charged to expense for 2004 and 2003, respectively.

Note 5 Bonds Payable

The following is a summary of long term debt transactions of the District:

WEST OUACHITA SEWERAGE DISTRICT NO. 5
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2004 AND 2003

	1977 General Obligation Bonds	1977 Revenue Bonds	1985 FHA Revenue Bonds	Total
Balance September 1, 2002	\$ 940,000	\$ 1,175,000	\$ 242,593	\$ 2,357,593
Additions	-	-	-	-
Retirements	(40,000)	(55,000)	(32,353)	(127,353)
Balance August 31, 2003	<u>\$ 900,000</u>	<u>\$ 1,120,000</u>	<u>\$ 210,240</u>	<u>\$ 2,230,240</u>

	1977 General Obligation Bonds	1977 Revenue Bonds	1985 FHA Revenue Bonds	Total
Balance September 1, 2003	\$ 900,000	\$ 1,120,000	\$ 210,240	\$ 2,230,240
Additions	-	-	-	-
Retirements	(40,000)	(55,000)	(33,972)	(128,972)
Balance August 31, 2004	<u>\$ 860,000</u>	<u>\$ 1,065,000</u>	<u>\$ 176,268</u>	<u>\$ 2,101,268</u>

Bonds in the amount of \$2,101,268 and \$2,230,240 at August 31, 2004 and 2003, respectively, consist of the following individual issues:

1. Revenue bonds (1977 Issue and 1985 Issue) in the amount of \$1,241,268 and \$1,330,240 at August 31, 2004 and 2003 respectively, accrue interest at 5% per annum and payments of principal and interest are made annually on April 12th. These bonds are secured and payable solely from the income to be derived from the operation of the system after provision has been made for payment of the reasonable and necessary expenses for administration, operation and maintenance.
2. General obligation bonds in the amount of \$860,000 and \$900,000, at August 31, 2004 and 2003, respectively, accrue interest at 5% per annum and payments of principal and interest are made annually on December 12th. These bonds are secured by a special tax in excess of all other taxes on all the property subject to taxation within the territorial limits of the District, under the constitution and laws of Louisiana, sufficient in amount to pay the principal and interest thereon.

WEST OUACHITA SEWERAGE DISTRICT NO. 5
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2004 AND 2003

Maturity schedules consist of the following:

Revenue Bonds (1977 Issue)		Revenue Bonds (1985 Issue)		General Obligation Bonds	
Maturity Dates	Principal	Maturity Dates	Principal	Maturity Dates	Principal
April 12,		April 12,		December 12,	
2005	\$ 60,000	2005	\$ 35,671	2005	\$ 45,000
2006	65,000	2006	37,454	2006	45,000
2007	65,000	2007	39,327	2007	50,000
2008	70,000	2008	41,293	2008	50,000
2009	70,000	2009	22,523	2009	55,000
2010-2017	735,000		-	2010-2018	615,000
	<u>\$ 1,065,000</u>		<u>\$ 176,268</u>		<u>\$ 860,000</u>

The aggregate principal payments and sinking fund requirements of indebtedness, including interest of \$790,317 are as follows:

Fiscal Year	Sinking Fund Requirements
2005	245,734
2006	245,484
2007	244,984
2008	244,234
2009	222,399
2010-2014	1,003,250
2015-2018	685,500
	<u>\$ 2,891,585</u>

Note 6 - Property Taxes

A tax on real property and business personal property located within the boundaries of the District is levied by the District. Property taxes are levied by the District on property values assessed by the Ouachita Parish Tax Assessor and approved by the State of Louisiana Tax Commission.

WEST OUACHITA SEWERAGE DISTRICT NO. 5
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2004 AND 2003

<u>Property Tax Calendar</u>	
Assessment Date	January 1, 2003
Levy Date	November 15, 2003
Total Taxes Are Due	December 31, 2003
Lien Date	January 1, 2004

Assessed values are established by the Ouachita Parish Tax Assessor each year on a uniform basis at the following ratios to fair market value.

10% Land	15% Machinery
10% Residential Improvements	15% Commercial Improvements
15% Industrial Improvements	25% Public Service Properties, Excluding Land

All property within the District was assessed 2.25 mills in 2003 for the payment of general obligation bond principal and interest of the District.

Note 7 - Long-Term Leases

On August 1, 1984, the District entered into a 25-year lease with the City of West Monroe (the City) for joint use of the Regional Wastewater Treatment Facility owned by the City. The lease contains a renewal option for one additional 15 year term. The operation and maintenance of the treatment facility is prorated between the District and the City based on usage. The cost to the District was \$221,409 and \$224,427 for the years ended August 31, 2004 and 2003, respectively. The agreement also provides for the sharing of costs to upgrade the facility during the term of the lease.

Note 8 - Commissioners' Fees

The members of the Board of Commissioners are paid \$40 per regular meeting and \$25 per special meeting. Payments during the year ended August 31, 2004 for meetings attended in the prior year, were as follows:

<u>Commissioner</u>	<u>Regular Meetings</u>	<u>Special Meetings</u>	<u>Compensation</u>
Johnny Hebert – President	12	2	\$ 530
Jerry Burrows – Vice President	12	2	530
Fred Hall – Secretary	12	2	530
Total			\$ <u>1,590</u>

Commissioners are paid after year end for the meetings that were attended during the prior year. During 2004 the president retired from the board. He attended eleven regular

WEST OUACHITA SEWERAGE DISTRICT NO. 5
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2004 AND 2003

meetings and one special meeting and he was paid an additional \$465 during the year for those meetings.

Note 9 - Franchise Fee

The District entered into a franchise agreement with a corrugated container plant located outside their taxing district boundaries. This agreement calls for payment of an unrestricted franchise fee equivalent to the taxes which would have been levied had the plant been in the boundaries of the District. The plant also pays a monthly user's fee. The franchise fees were \$16,865 and \$10,595 for the years ended August 31, 2004 and 2003, respectively.

Note 10 - Defined Benefit Pension Plan

Substantially all employees of the District participate in the Parochial Employees' Retirement System of Louisiana (the System), a defined benefit, multiple-employer public employee retirement system. All full-time employees of the District are eligible to participate in the System. Employees who retire at or after age 60 with 10 years of credited service, age 55 with 25 years of credited service, or with 30 years of credited service regardless of age are entitled to a retirement benefit, payable monthly for life, equal to 3 percent of their final-average salary for each year of credited service. Final-average salary is the employee's average salary over the highest thirty-six consecutive months of credited service. The system also provides death and disability benefits. Benefits are established by state statute.

Funding Policy: Contributions to the System include one-fourth of one percent of the taxes shown to be collected by the tax rolls of each parish (excepting Orleans and East Baton Rouge). State statutes require covered employees to contribute a percentage of their salary into the System. The District's contribution is determined by an actuarial valuation and is subject to change each year based on the results of the valuation for the previous year. For the calendar year 2003, covered employees were required to contribute 9.50% of their salary to the plan. The District was required to contribute 7.75% of employee salaries to the plan during 2003 and 11.75% during 2004. The District's contributions to the plan were \$24,782, \$15,926 and \$15,086, for the years ended August 31, 2004, 2003 and 2002 respectively.

The system issues an annual, publicly available financial report that includes financial statements and required supplementary information covering the System. The report may be obtained by writing the Parochial Employees' Retirement System, P. O. Box 14619, Baton Rouge, LA 70898-4619 or by calling (504) 928-1361.

WEST OUACHITA SEWERAGE DISTRICT NO. 5
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2004 AND 2003

Note 11 - Related Party Transactions

The District is covered by certain umbrella insurance policies including liability and property, worker's compensation and group health insurance policies through the Police Jury. During 2004 and 2003 the District paid the Police Jury \$45,636 and \$43,193, respectively for this coverage.

Note 12 - Risk Financing Activities

Through its primary government, the Ouachita Parish Police Jury, the District participates in a self-funded program (the fund) for potential losses under general liability, property and automobile coverage and worker's compensation. The fund pays the premiums for reinsurance and pays all deductibles up to \$150,000 per occurrence, except for \$500 that is paid by the District. The premiums, which are modified for experience and other factors, are computed annually. The reinsurance policy covers all losses over the \$150,000 deductible with an aggregate coverage of \$2,000,000. Two funds are established, one for liability and property and one for worker's compensation. These funds had approximately \$1,982,718 in assets as of December 31, 2003. The District contributed \$13,708 and \$13,634 into the fund during the years ended August 31, 2004 and 2003 respectively.

Note 13 - Concentrations of Risk

All of the accounts receivable represent amounts due from customers located within the boundaries of the District. The District requires a security deposit of \$20 for each new customer being serviced by the system. *Failure of the District's customers to perform as required could impact the District's ability to collect \$ 186,693 after applying the security deposits of \$91,420 held in escrow.*

Supplemental Information

West Ouachita Sewerage District No. 5
Schedule of Changes in Restricted Assets
For The Year Ended August 31, 2004

	<u>Bond and Interest Redemption</u>	<u>Revenue Bond Reserve</u>	<u>Sewer Replacement and Extension Funds</u>	<u>Total</u>
Balance - September 1, 2003	\$ 246,695	\$ 278,612	\$ 384,863	\$ 910,170
Add:				
Property Tax Collections and Interest	94,200	-	-	94,200
Transfer From Operating Account	156,000	7,799	8,520	172,319
Interest Earned	965	2,343	3,368	6,676
Total Funds Available	<u>497,860</u>	<u>288,754</u>	<u>396,751</u>	<u>1,183,365</u>
Less:				
Payment of Principal and Interest	<u>(237,546)</u>	<u>-</u>	<u>-</u>	<u>(237,546)</u>
BALANCE -AUGUST 31, 2004	<u>\$ 260,314</u>	<u>\$ 288,754</u>	<u>\$ 396,751</u>	<u>\$ 945,819</u>

The above schedule does not reflect the Customer Deposits Escrow of \$91,420 included in restricted assets at August 31, 2004

WEST OUACHITA SEWERAGE DISTRICT NO. 5
SCHEDULE OF INSURANCE COVERAGE
AUGUST 31, 2004
(UNAUDITED)

Property or Risk And Insurance Company	Kind of Insurance And Term	Maximum Coverage
Employees Midwest Employers Casualty Co.	Workmen's Compensation Employer's Liability 1/1/04 to 1/1/05	Statutory *
Multi-Peril St. Paul Fire & Marine Ins. Co.	Comprehensive General Liability 1/1/04 to 1/1/05	\$2,000,000 - Aggregate * \$1,000,000 - Per Occurrence
Vehicles St. Paul Fire & Marine Ins. Co.	Auto Liability 1/1/04 to 1/1/05	Combined Single* Limit \$1,000,000
3 Commissioners and All Employees St. Paul Fire & Marine Ins. Co.	Fidelity Bond 1/1/04 to 1/1/05	\$50,000 Per* Occurrence \$25,000 Deductible
Multi-Peril Affiliated FM Ins. Co.	Building and Personal Property 1/1/04 to 1/1/05	\$60,000,000* Deductible \$100,000

This schedule, prepared from the policies, is intended only as a descriptive summary; no expression of opinion as to the adequacy of coverage is intended.

* Policy is covering the Ouachita Parish Police Jury, which includes West Ouachita Sewerage District No. 5.



Francis I. Huffman, CPA
L. Fred Monroe, CPA
Esther Atteberry, CPA

John L. Luffey, MBA, CPA (1963-2002)

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL
CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

**Board of Commissioners
West Ouachita Sewerage District No. 5
West Monroe, Louisiana**

We have audited the basic financial statements of West Ouachita Sewerage District No. 5, West Monroe Louisiana (the District) (a component unit of the Ouachita Parish Police Jury) as of and for the year ended August 31, 2004, and have issued our report thereon dated January 28, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Louisiana Governmental Audit Guide*, issued by the Louisiana Society of Certified Public Accountants and the Louisiana Legislative Auditor.

Compliance

As part of obtaining reasonable assurance about whether the District's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance that is required to be reported under *Government Auditing Standards*. This instance of noncompliance is reported in the Schedule of Findings as 04-03

Internal Control over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to deficiencies in the design and operation of the internal control over financial reporting that could adversely affect the District's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

**West Ouachita Sewerage District No. 5
West Monroe, Louisiana**

These reportable conditions are reported in the Schedule of Findings as item 04-01, 04-02 and 04-03.

A material weakness is a condition in which the design or operation on one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be considered material weaknesses. However, we consider item 04-01, 04-02 and 04-03 to be material weaknesses.

This report is intended for the information of management of the District, its primary government and the Legislative Auditor for the State of Louisiana and is not intended to be and should not be used by anyone other than these specified parties. Under Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.



(A Professional Accounting Corporation)

January 28, 2005

WEST OUACHITA SEWER DISTRICT NO. 5
West Monroe, Louisiana

Schedule of Findings
August 31, 2004

04-01 INVESTMENTS

Finding:

We found, during our review of the internal controls of West Ouachita Sewer District No. 5, that funds could be withdrawn or transfers made from the investments of the district with only the signature of the District Manager. Proper internal control of investments would require that a second individual should also be included as a signature authority on these withdrawals and/or transfers. The lack of an additional person approving the withdrawal of investments can lead to funds being withdrawn and possibly misappropriated from the district without being detected.

Recommendation:

We recommend that the Sewer District require two individuals to authorize the withdrawal or transfer of funds from the investments.

Management's Corrective Action Plan:

Effective immediately we will require two (2) signatures for withdrawal or transfer of funds from District investments. One from the District Manager and one of the Board of Commissioners.

04-02 DISBURSEMENTS

Finding:

A review of the internal controls over disbursements revealed that monthly bank statements are being received and opened by the Secretary of the District, who also reconciles the statements. This individual also prepares the checks for disbursement and mails them after they have been signed by the District Manager and one Commissioner. With the Secretary preparing the checks, opening the bank statements, and preparing the reconciliations, it opens the door for the improper disbursement of funds, which may not be detected in a timely manner by an employee in the normal course of performing their assigned task or duty.

Recommendation:

We recommend that the District Manager receive all bank statements unopened from the bank. The District Manager should open the statements and review each cleared item for authenticity, date and initial the bank statement, before it is given to the Secretary for reconciliation.

WEST OUACHITA SEWER DISTRICT NO. 5
West Monroe, Louisiana

Schedule of Findings
August 31, 2004

Managements Corrective Action Plan:

Effectively immediately, the District Manager will open the bank statements from the bank and review each cleared item, initial and date the bank statements before giving to the Secretary for reconciliation.

04-03 CUSTOMER DEPOSITS

Finding:

The Board of Commissioners of the West Ouachita Sewerage District No. 5 (the District) on October 19, 1992 authorized a \$20 deposit to be collected from all new customers of the District. Existing customers, at that date, did not have to put up a deposit. M-N Utilities is under contract to perform all of the billing operations for the District. All funds collected each month by M-N Utilities, with the exception of the \$20 deposit, are transferred to the District at the beginning of the month after collection. The \$20 deposit is being collected and held by M-N Utilities in their general operating account. Over the years these deposits have accumulated to approximately \$91,000 and are not collateralized. Upon request, the District receives a customer listing of deposits held by M-N Utilities and adjusts their accounting records to agree. On the anniversary date of their deposit, the customer receives a \$1 credit (5%) on their bill as interest earned.

Recommendation:

We recommend that the District request the amount of customer deposits being held by M-N Utilities and place them in a separate account in the District's name at their designated depository so that the funds will be collateralized. At the end of each month, M-N Utilities should settle the change in the customer deposits that occurred during the month with the District. The refunding of deposits by M-N Utilities should not affect their cash operations, since they are collecting sewer payments during the month for the District and those collections are not transferred to the District until the beginning of the next month.

In addition to the District holding the customer deposits, we recommend that the District research whether interest has to be paid on the customer deposits since the District is a governmental entity.

Management's Corrective Action Plan:

The District will immediately request the amount of customer deposits so the District can place the deposits on hand in a separate account so that the funds can be collateralized.

Also, the District is in the process of getting an opinion from the District's legal counsel concerning whether or not interest is due on customer deposits, since the District is a government body.

WEST OUACHITA SEWERAGE DISTRICT NO. 5
West Monroe, Louisiana
SUMMARY STATUS OF PRIOR YEAR FINDINGS

The following is a summary of the status of the prior year management letter comments included in the Luffey, Huffman & Monroe (APAC) audit report dated January 15, 2004, covering the examination of the financial statements of the West Ouachita Sewerage District No. 5 (A Component Unit of the Ouachita Parish Police Jury) as of and for the year ended August 31, 2003.

1. Cash Disbursements

Finding:

The District Manager was not initialing all invoices approving them for payment.

Status:

The District Manager is now initialing all invoices approving them for payment.